

UNIVERSAL SERVICE FUND

Under the Telecommunications Act of 1996, telecommunications carriers that provide interstate and international telecommunications services are required to contribute funds for the preservation and advancement of universal service. The contributions generally provided, in turn, by each carrier's subscribers, are used to provide services eligible for universal service support as prescribed by the FCC. Eligible telecommunications carriers receive support from the universal service funds if they (1) provide service to high cost areas, (2) provide eligible services at a discount rate to schools, libraries or rural health care providers, or (3) provide subsidized service or subsidized telephone installation to low income consumers. Interest income on these funds is utilized to offset carrier contributions. Administrative costs of the program are provided from carrier contributions.

Public Law 109-108 temporarily suspended the application of the Antideficiency Act to the Federal universal service fund programs authorized under section 254 of the Communications Act of 1934, through December 31, 2006. The Antideficiency Act requires that funds be available before incurring an obligation on behalf of the Federal Government.

The Program Assessment Rating Tool analyses conducted in 2005 revealed that the High Cost and E-Rate universal service support mechanisms lacked adequate performance measures. The FCC is examining program policies, performance measures, and administrative effectiveness in order to ensure that the programs use resources efficiently and provide meaningful results.

| Special and Trust Fund Receipts (in millions of dollars) | | | | |
|---|---|-------------|-----------|-----------|
| | | 2005 Actual | 2006 Est. | 2007 Est. |
| Adjustments: | | | | |
| 01.91 | Adjustments | 1 | -- | -- |
| 01.99 | Balance, start of year | 1 | -- | -- |
| Receipts: | | | | |
| 02.20 | Universal Service Fund | 11 | -- | -- |
| 02.21 | Return of capital from sale of non-Federal investments, Universal Service Fund | 1,321 | -- | -- |
| 02.40 | Earnings on federal investments, Universal Service Fund | 64 | 180 | 234 |
| 02.60 | Universal Service Fund | 7,242 | 7,482 | 8,019 |
| 02.99 | Total receipts and collections | 8,638 | 7,662 | 8,253 |
| 04.00 | Total: Balances and collections | 8,639 | 7,662 | 8,253 |
| Appropriations: | | | | |
| 05.00 | Universal Service Fund | (7,243) | (7,482) | (8,019) |
| 05.01 | Universal Service Fund | (75) | (180) | (234) |
| 05.02 | Universal Service Fund | (1,321) | -- | -- |
| 05.99 | Total appropriations | (8,639) | (7,662) | (8,253) |
| 07.99 | Balance, end of year | -- | -- | -- |

| Program and Financing (in millions of dollars) | | | | |
|--|---|-------------|-----------|-----------|
| | | 2005 Actual | 2006 Est. | 2007 Est. |
| Obligation by program activity: | | | | |
| 00.01 | Direct Program Activity | 8,478 | 8,650 | 7,773 |
| 00.02 | Program support | 91 | 102 | 102 |
| 10.00 | Total new obligations (object class 41.0) | 8,569 | 8,752 | 7,875 |
| Budgetary resources available for obligation: | | | | |
| 21.40 | Unobligated balance carried forward, start of year | 247 | 979 | 623 |
| 22.00 | New budget authority (gross) | 8,639 | 7,662 | 8,253 |
| 22.10 | Resources available from recoveries of prior year obligations | 662 | 734 | 444 |
| 23.90 | Total budgetary resources available for obligation | 9,548 | 9,375 | 9,320 |
| 23.95 | Total new obligations | (8,569) | (8,752) | (7,875) |
| 24.40 | Unobligated balance carried forward, end of year | 979 | 623 | 1,445 |
| New budget authority (gross), detail: | | | | |
| Mandatory: | | | | |
| 60.20 | Appropriation (special fund)--Receipts | 7,243 | 7,482 | 8,019 |
| 60.20 | Appropriation (special fund)--Interest | 75 | 180 | 234 |
| 60.20 | Appropriation (special fund) | -- | -- | -- |
| 60.20 | Appropriation (special Fund)--Sale non-Federal | 1,321 | -- | -- |
| 62.50 | Appropriation (total mandatory) | 8,639 | 7,662 | 8,253 |
| Change in obligated balances: | | | | |
| 72.40 | Obligated balance, start of year | 3,010 | 3,191 | 3,794 |
| 73.10 | Total new obligations | 8,569 | 8,752 | 7,875 |
| 73.20 | Total outlays (gross) | (7,726) | (7,415) | (7,901) |
| 73.45 | Recoveries of prior year obligations | (662) | (734) | (444) |
| 74.40 | Obligated balance, end of year | 3,191 | 3,794 | 3,324 |
| Outlays (gross), details: | | | | |
| 86.97 | Outlays from new mandatory authority | 4,468 | 3,244 | 3,483 |
| 86.98 | Outlays from mandatory balances | 3,258 | 4,171 | 4,418 |
| 87.00 | Total outlays (gross) | 7,726 | 7,415 | 7,901 |
| Net budget authority and outlays: | | | | |
| 89.00 | Budget authority | 8,639 | 7,662 | 8,253 |
| 90.00 | Outlays | 7,726 | 7,415 | 7,901 |
| Memorandum (non-add) entries: | | | | |
| 92.01 | Total investments, start of year: Federal securities: Par value | 3,257 | 4,157 | -- |
| 92.02 | Total investments, end of year: Federal securities: Par value | 4,157 | -- | -- |